



Commodity Futures Trading Commission

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Statement

Opening Statement of Commissioner Scott D. O'Malia, Public Meeting to Examine Futures and Options Trading in the Metals Markets

March 25, 2010

I have now been a Commissioner at the CFTC for the past six months. It has been a very busy time. In particular, since starting in October, I have received countless emails from participants in the metals markets. Today's meeting acknowledges that the Commission has heard the concerns of market participants. Therefore, I am pleased that we have a public meeting to receive information from the diverse group of participants in these markets.

Based on my initial review, it is clear to me that the metals markets are uniquely global in nature. One must acknowledge this as the starting point for any well-rounded discussion of the subject.

The United States and, more pointedly, the exchanges registered with the Commission, are not the market's epicenter. Significant price discovery in these markets takes place abroad in London; after all it is the only location for the "London fix" for gold and silver. Just as the NYMEX's WTI contract provides the benchmark for world oil prices, London provides the benchmark for gold and silver. In short, these markets are complex and involve diverse players with diverse objectives which range from hedging manufacturing operations, maintaining central bank reserves, speculation on prices, and, of course, passionate retail investors. Therefore, any analysis of these markets and any action by the Commission must take into account the global nature of these markets.

As to position limits, any action by the Commission must acknowledge that position limits are not price controls. I believe there is an expectation that position limits will be that panacea. I have repeatedly stated that despite federal position limits, wheat, corn, soybeans, and cotton contracts were not spared record setting price increases in 2007 and 2008. That being said, position limits, whether enforced at an exchange level or by the Commission are effective only to the extent that they trigger reporting obligations that provide a regulator with the complete picture of an entity's trading.

With such a global market, we must ensure that any rules or regulations do not offer opportunities for regulatory arbitrage or decrease the transparency of U.S. markets or any other market by forcing activity to less transparent trading.

I would like to thank the staff of the Commission and the members of the panels for their hard work in presenting the Commission with their testimony and responding to our questions. I also appreciate the hard work of the Division of Enforcement, the Division of Market Oversight, and the Office of the Chief Economist to support our investigation into the metals markets. I look forward to a well-rounded discussion of the metals markets.

Thank you.